

Actual questions from the actual test tomorrow!!!!

1. Typical circular flow models specifically include:

- A. household and business purchases
- B. consumption and investment sectors
- C. supply and demand
- D. cost and revenue
- E. input and output

7. If, during her time in Michigan, Marie saw her income rise from \$20,000/year to \$40,000/year and the price level rise by 100%, we could conclude that she experienced which of the following?

	<u>Nominal Income</u>	<u>Real Income</u>
A.	increase	increase
B.	increase	constant
C.	increase	decrease
D.	constant	constant
E.	decrease	decrease

13. Which would be considered unemployed?

- A. A person who quits work to care for aging parents.
- B. A person who stayed home to raise his children and now starts looking for a job.
- C. A person who quits a job to return to school full time.
- D. A person who is qualified to teach but is driving a bus.
- E. A person who works two part-time jobs but is looking for a full time job.

19. In a circular flow diagram the interaction of businesses and households is characterized by

- I. households buying factors of production**
- II. firms buying goods in the product market**
- III. households buying goods in the resource market**
- IV. firms selling goods and services**
- V. households buying goods and services**

- A. I and II
- B. II only
- C. III and IV
- D. I, III, and V
- E. IV and V

28. Lenders are typically hurt by unanticipated inflation because

- A. as inflation increases, people typically do not repay loans.
- B. as inflation increases, nominal interest rates fall.
- C. the unanticipated inflation causes their labor costs to increase.
- D. the loans they made are repaid with money that has more future value.
- E. the loans they made are repaid with money that has less real value.

34. A person says "I just heard on the news that nominal GDP is higher this year than it was last year. This means we're better off this year than last year." Which of the following best describes this statement?

- A. It is true because nominal GDP is a measure of a country's wealth.
- B. It is not necessarily true because there is no measure to whether someone is better off this year or not
- C. It is not necessarily true because nominal GDP is not adjusted for price changes.
- D. It is true because all industrialized nations demonstrate growth by increased nominal GDP.
- E. It is not necessarily true because the person should use CPI instead of nominal GDP.

40. Your real wage has risen by 3% while inflation has increased by 4%. Your nominal wage has obviously

- A. increased by 3%
- B. increased by 7%
- C. decreased by 7%
- D. decreased by 3%
- E. increased by 4%

42. Menu costs refer to an effect of inflation exhibited by which situation?

- A. a store having an employee replace existing price signs with new ones
- B. a store re-configuring their cash-registers to reflect higher prices
- C. a person seeking out ATMs more often to access cash
- D. a government agency forcing restaurants to keep food prices below a certain cost
- E. a person who loses value on their savings account over time as prices rise

43. GDP can be counted by adding all the consumption, investment, government, and net export expenditures, OR by adding

- A. all the incomes received by the owners of productive resources.
- B. the dollar amounts spent by foreign countries on US goods and services
- C. the prices of the market baskets that are used to calculate the CPI
- D. all the incomes received by US citizens across the world
- E. the total amounts of inventories across the country

44. Assume an economy has 100 workers and all 100 have jobs. In one year, 100 more potential workers move to the economy but only 50 of them find jobs and the other 50 are actively looking. Which statement will be true?

- A. The labor force has increased, the labor force participation rate has decreased, and the unemployment rate has decreased.
- B. The labor force is constant, the labor force participation rate has increased, and the unemployment rate has increased.
- C. The labor force has increased, the labor force participation rate has increased, and the unemployment rate has decreased.
- D. The labor force has increased, the labor force participation rate is constant, and the unemployment rate has increased.
- E. The labor force, labor force participation rate, and unemployment rate have all increased.

46. Nominal GDP is higher this year than last. From this statement we can definitively conclude

- A. production levels are higher this year.
- B. price levels are higher this year.
- C. 3 of the 4 components of GDP have increased.
- D. there is less unemployment this year.
- E. none of the above because we do not know what has happened to prices.